

Message Text

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ORIGIN EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 L-02 NSCE-00 SAM-01 H-01 PA-01 PRS-01 USIA-06

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DRAFTED BY EA/ROC:KWEAVER/BLEVIN:BDS

APPROVED BY EA/ROC:BLEVIN

EA/PRCM

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R 112233Z DEC 74

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

USLO PEKING

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L STATE 272049

E.O. 11652: GDS

TAGS: EIND, EINV, CH, TW

SUBJECT: GM PLANNED INVESTMENT ON TAIWAN AND INTEREST
IN PRC MARKET

1. ON DECEMBER 9, GENERAL MOTORS (GM) REPRESENTATIVES
MET WITH ROC AND PRCM DIRECTORS LEVIN AND ARMSTRONG TO
DISCUSS POSSIBLE GM INVESTMENT ON TAIWAN AND ITS BEARING
ON COMPANY'S POTENTIAL FUTURE TRADE WITH PRC.

2. ACCORDING GM PLANNING AND DEVELOPMENT DIRECTOR
TELSHAW, GM IS CURRENTLY DISCUSSING WITH GROC POSSI-
BILITY OF SIZEABLE AUTOMOTIVE INVESTMENT ON TAIWAN.
TELSHAW REVEALED THAT ECON MINISTER Y.S. SUN HAD VER-
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BALLY AGREED TO GM 10 MILLION DOLS INVESTMENT IN WHOLLY-

OWNED PASSENGER AND LIGHT VEHICLE ASSEMBLY PLANT TO SUPPLY TAIWAN DOMESTIC MARKET. TO FACILITATE THIS DEPARTURE FROM ROC POLICY OF REQUIRING SUBSTANTIAL LOCAL INTEREST IN AUTOMOBILE INDUSTRY, GM WOULD BE PREPARED TO SET UP WHOLLY-OWNED SHEET METAL STAMPING PLANT (AUTOMOTIVE BODIES) ON TAIWAN (INITIAL INVESTMENT 40-45 MILLION DOLS) WHOSE PRODUCTS WOULD BE EXPORTED FOR GM USE IN JAPAN, AUSTRALIA AND S.E. ASIA. TELSHAW AID THAT HE WOULD PRESS FOR ROC AGREEMENT THAT TIMING OF STAMPING PLANT INVESTMENT WOULD BE UP TO GM, WITH DECISION BASED ON STATE OF MARKET.

HE ALSO SAID GM WOULD SEEK PERMISSION TO IMPORT TRUCKS AND CARS IN INTERIM BETWEEN AGREEMENT ON INVESTMENT AND COMMENCEMENT OF LOCAL PRODUCTION. QUERIED ON PROJECT FINANCING AND INSURANCE, TELSHAW COMMENTED THAT EXIM CREDIT WOULD LIKELY BE SOUGHT BUT WAS NOT ESSENTIAL. OPIC GUARANTEES, ON THE OTHER HAND, WERE SINE QUA NON FOR THE INVESTMENT, BUT GM DID NOT ANTICIPATE ANY DIFFICULTY IN OBTAINING THESE.

3. GM REPS SOUGHT OUR READING ON POSSIBLE EFFECT OF INVESTMENT IN ROC ON COMPANY'S FUTURE TRADE PROSPECTS WITH PRC. THEY NOTED THAT DESPITE GM EFFORTS, SUCH TRADE TO DATE CONSISTED OF 5,000 DOLS WORTH OF VEHICLE SPARE PARTS. DEPARTMENT OFFICERS STATED THAT, TO OUR KNOWLEDGE, PRC HAS NEVER MADE AN ISSUE OF US FIRMS' BUSINESS TIES WITH ROC, AND DID NOT APPEAR TO FAVOR US FIRMS THAT DID NOT HAVE SUCH TIES. WE ADDED, HOWEVER, THAT IT IS OBVIOUSLY DIFFICULT TO STATE CATEGORICALLY THAT A US FIRM'S TAIWAN CONNECTIONS WOULD NEVER BE A PROBLEM FOR THE PRC AT SOME FUTURE TIME. TELSHAW STRONGLY INDICATED HE BELIEVED THAT UNCERTAIN HOPE FOR SIZEABLE PRC MARKET SHOULD NOT DETER GM FROM CONCRETE, FAVORABLE INVESTMENT OPPORTUNITY ON TAIWAN. HE SAID HE WOULD ARGUE THIS VIEW IN GM DELIBERATIONS ON ISSUE.

4. THE GM REPS ALLUDED TO VARIOUS SCENARIOS FOR FUTURE DEVELOPMENTS IN ROC TRADE, BUT DID NOT SPECIFICALLY RAISE THE QUESTION OF FUTURE US RELATIONS WITH THE ROC. AT ONE POINT THEY NOTED THAT ROC WAS HAVING NO

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PROBLEMS IN MAINTAINING TRADE TIES IN ABSENCE DIPLOMATIC RELATIONS. GM SOUNDINGS, FOR EXAMPLE, HAD INDICATED THAT THERE WOULD BE NO PROBLEM EXPORTING FROM TAIWAN TO PHILIPPINES IN EVENT PHILS SWITCHED RECOGNITION TO PRC. TELSHAW EXPRESSED OWN BELIEF THAT SOONER OR LATER TAIWAN WOULD REACH ACCOMMODATION WITH PRC AND THIS MIGHT MAKE TAIWAN EITHER WORLD'S LARGEST FREE PORT OR SPRINGBOARD FOR ENTRY INTO CHINA.

5. GM REPS PROMISED KEEP US INFORMED OF SUBSEQUENT DEVELOPMENTS. PLEASE PRESERVE CONFIDENTIALITY OF ABOVE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENTS, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 11 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE272049
Document Source: CORE
Document Unique ID: 00
Drafter: KWEAVER/BLEVIN:BDS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740360-0888
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741242/aaaabjzj.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2002 by shawdg>; APPROVED <26 MAR 2003 by CunninFX>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GM PLANNED INVESTMENT ON TAIWAN AND INTEREST IN PRC MARKET
TAGS: EIND, EINV, CH, TW, US, GENERAL MOTORS
To: TAIPEI PEKING
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005